Tax free bonds

1262. SHRI P. PRABHAKAR REDDY: Will the Minister of FINANCE AND COMPANY AFFAIRS be pleased to state:

(a) whether Government have issued a new series of 7 per cent tax-free bonds for public subscription;

(b) if so, the details thereof;

(c) whether the existing 8 per cent relief bonds which have a tenure of five years would be wound up or would continue along side the new bonds; and

(d) whether the new bonds would be permitted to be traded in secondary markets and if not, the reasons therefor?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE AND COMPANY AFFAIRS (SHRI ANANDRAO VITHOBA ADSUL): (a) to (d) Government has since discontinued 7% Savings Bonds and 8% Relief Bonds with effect from the close of business on 28th February, 2003. The details of new Schemes will be notified in due course.

Liberalisation of Foreign Exchange Control Rules

1263. SHRI V. V. RAGHAVAN:
SHRI J. CHITHARANJAN:

Will the Minister of FINANCE AND COMPANY AFFAIRS be pleased to state:

(a) whether Government have liberalised the Foreign Exchange Control Rules recently; and

(b) if so, the details and purpose thereof?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE AND COMPANY AFFAIRS (SHRI ANANDRAO VITHOBA ADSUL): (a) and (b) Yes Sir, The relaxations/liberalisation that have been allowed since January 2003 are indicated in the enclosed Statement.

Statement

Relaxations/Liberalisations allowed under Exchange Control Rules since January 2003

(i) ESOP Scheme

A resident individual, who is an employee or a director of an Indian office or branch of a foreign company or of a subsidiary of a foreign company or of an Indian company has been permitted to make remittance for the acquisition of foreign securities under Employees Stock Option (ESOP) Scheme without any monetary limit. The scheme is subject to the condition that the shares are offered at the concessional price and the foreign equity holding in the Indian company is not less that 51 per cent.

(ii) ECB Proceeds

Corporates have been allowed to retain the funds raised by way of External Commercial Borrowings (ECBs) in a bank account abroad, for their future forex requirements, subject to certain conditions.

(iii) ADR/GDR Proceeds

Indian companies have been permitted to retain abroad funds raised through ADRs/GDRs for any period to meet their future forex requirements. They have also been allowed pending repatriation or utilisation, to invest the said funds in—

(a) deposits or Certificate of Deposit or other products offered by banks who have been rated not less than AA(-) by standard and Poor/Fitch IBCA or Aa3 by Moody's.

(b) deposits with branch outside India of an authorized dealer in India; and

(c) treasury bills and other monetary instruments of one year maturity having minimum rating as indicated at (a) above.

(iv) Real Estate abroad

Indian corporates, who have set up overseas offices have been permitted, on application, to acquire immovable property outside India for their business as also staff's residential purposes.

(v) Port-folio Investment-Overseas

(a) Corporates

Listed Indian companies have been permitted to invest abroad in companies listed on a recognised stock exchange and which have the shareholding of at least 10 per cent in an Indian company listed on a recognised stock exchange in India (as on 1st January of the year of the investment). Such investments shall not exceed 25 per cent of the Indian company's net worth, as on the date of latest audited balance sheet.

(b) Mutual Funds

Mutual Funds have been permitted on application, after obtaining necessary permission from SEBI, to invest in equity of overseas companies indicated at (a) above. The existing overall cap of USD 500 million fixed for investment abroad has also been raised to USD 1 billion.

(c) Individuals

Resident individuals have been permitted to invest in overseas companies indicated at (a) above without any monetary limit.

(vi) Transfer of Assets

The existing dispensation of permitting transfer of funds out of NRO accounts for different purposes such as education, medical, sale proceeds of immovable property, assets of foreign nationals including retired employees/widows of Indian citizens resident outside India and assets in India acquired by NRIs/PIOs by way of inheritance/legacy, has been removed. Instead authorised dealers have been permitted to allow remittance upto USD 1 million in a year, subject to Indian taxes. However, if the assets represent sale proceeds of immovable property, the present requirement that the property should have been held for 10 years continues.

(vii) EEFC Account Scheme

Exporters were permitted to grant trade related loans/advances not exceeding USD 3 million from their EEFC Account to their overseas importer customer subject to certain conditions. As a measure of relaxations to the EEFC Account Scheme, the said ceiling of USD 3 million has been removed. Accordingly, authorised dealers have been permitted to allow their exporter constituents to advance trade related

loans to overseas importers out of their EEFC balances without any ceiling.

The above relaxations on Capital Account Transactions have been allowed for a period of six months up to June 30, 2003, subject to review.

(viii) Sponsored ADRs/GDRs-Receipt of Disinvestment Proceeds

To encourage Indian companies to list ADRs/GDRs on the overseas exchanges, through the scheme of sponsored ADRs/GDRs, Resident shareholders of Indian companies, who offer their shares for conversion to ADRs/GDRs, have been permitted to receive the sale proceeds in foreign currency. The conversion of such ADRs/GDRs however, should have the approval of Foreign Investment Promotion Board. Further, the sale proceeds, so received by Residents, are also permitted to be credited to their EEFC/Resident Foreign Currency (Domestic) RFC (D) Accounts or to their Rupee Accounts in India at their option. This facility is available till further notice.

(ix) International Credit Cards (ICCs)

The facility of use of International Credit Cards (ICCs) by Residents for making payments towards expenses, while on a visit outside India to the extent of the limit of the card has been extended.

Acquisition of brands of defaulter companies

1264. DR. ALLADI P. RAJKUMAR:
SHRI K. RAMA MOHANA RAO:

Will the Minister of FINANCE AND COMPANY AFFAIRS be pleased to state:

(a) whether it is a fact that the banks are insisting that the brands of defaulting companies should also be acquired alongwith the secured assets;

(b) if so, the details in this regard;

(c) whether any clarification has been issued by the RBI in this respect; and

(d) if so, the details thereof?